

To: Alisha Johnson/DC/USEPA/US@EPA[]
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Subject: Afternoon Energy, presented by America's Natural Gas Alliance: PTC fight to come post-election — Keystone pipeline shutdown — Oil slick not from sealed BP well

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tbuford@politico.com

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eholman@politico.com

<http://bit.ly/PcCeic>

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[PTC building up to post-election battle](#)

[Study finds health problems near gas wells](#)

[back](#)

[wind credit](#)

[vocal opponents](#)

[kicked the company](#)

[urging him](#)

[a separate letter](#)

[under attack](#)

[back](#)

[back](#)

[new report](#)

[back](#)

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By Talia Buford | 10/18/12 3:07 PM EDT

With help from Darius Dixon, Andrew Restuccia, Erica Martinson, Alex Guillen, Bob King and Matt Daily

PTC FIGHT BUILDING UP TO POST-ELECTION BLOWOUT: When Congress returns after the election, energy wonks are preparing for a lame duck battle over extending the wind production tax credit. While PTC supporters are optimistic, one opponent says foes intend to make the tax credit "toxic" in the House. Andrew Restuccia: <http://politico.pro/PcTNyR>

Welcome to Afternoon Energy. I'm your host, Talia Buford. Send me tips at tbuford@politico.com and follow the whole Pro Energy gang on Twitter: <http://bit.ly/Wt1y5j>

KEYSTONE PIPELINE SHUTS DOWN: TransCanada says it found a "small anomaly" on the outside of the existing Keystone pipeline after analyzing data from an in-line inspection tool. No leaks have been detected, spokesman Grady Semmens said, but the company will shut the line down for three days while the area is inspected. "Once restart happens we expect normal operations and flows for the remainder of October," Semmens said. "We may have to make up some volumes in November but we are still evaluating this."

Just so you don't get confused: The shutdown affects the existing Keystone pipeline, which already takes oil from Hardisty, Alberta, through the Dakotas to Steele City, Neb., and ultimately to markets in Illinois and Oklahoma. It's not the same as the proposed Keystone XL pipeline, which TransCanada wants to run from Hardisty to Steele City, and then from Cushing, Okla., to Texas.

Still, opponents jumped on the shutdown as a reason why the Keystone XL pipeline should not be built. Joe Mendelson, director of climate and energy policy for the National Wildlife Federation, said pipelines to carry oil sands will need even better infrastructure, and still will fail. "The best approach to our energy challenges isn't building more pipelines, it's embracing clean energy solutions that don't spill or explode." Jane Kleeb of Bold Nebraska, which opposes Keystone XL, alleged that "TransCanada uses foreign steel that is weaker than pipe that is made in the USA, so it comes as no surprise that another 'anomaly' has been found on their pipeline."

OIL SLICK NOT FROM SEALED BP WELL: The Wall Street Journal reports: "A thin slick of oil in the Gulf of Mexico is coming from a containment dome that was abandoned on the sea floor during efforts to stop the 2010 Deepwater Horizon oil spill, according to a person familiar with the matter." <http://on.wsj.com/R3B1Go>

SEC SETTLEMENT IN CANADIAN OIL INSIDER TRADING CASE: Hong Kong-based firm Well Advantage has agreed (<http://1.usa.gov/PcTJPY>) to pay more than \$14 million to settle insider-trading charges involving Chinese firm CNOOC Ltd.'s takeover of Canadian oil producer Nexen. The SEC said the settlement with Well Advantage amounted to double the firm's alleged illicit profits. Nexen has drilling operations in the U.S. Gulf of Mexico. As part of the SEC settlement, Well Advantage neither admits nor denies the charges.

EXXON WANTS TO LEAVE IRAQ OILFIELDS: Diplomatic sources tell Reuters (<http://reut.rs/R2Fklj>) that ExxonMobil wants to pull out of a commitment to develop the West Qurna-1 oilfield in southern Iraq because the company is unsure the project will be profitable. ExxonMobil declined to comment, but Reuters said two U.S. officials reported that the company has told the State Department and the Iraqi deputy prime minister for energy that it plans to abandon the project.

GREENS' STUDY FINDS HEALTH PROBS NEAR PA. GAS WELLS: Pennsylvania residents who live close to shale gas wells suffered more frequent headaches, dizzy spells and other health effects than people who live farther from the wells, according to a new report (<http://bit.ly/R1P537>) by environmental advocacy group Earthworks. Talia Buford: <http://politico.pro/Vark9u>

Industry reaction was harsh: The report is a "collection of anecdotes" skewed to vilify natural gas development, said John Krohn, spokesman for Energy in Depth. "It's not a surprise that those against natural gas development blame everything from headaches to moodiness on living close to natural gas operations." America's Natural Gas Alliance takes the safety of gas operations seriously, said spokesman Dan Whitten. "The conclusion of this study is not supported by either history or the broader science surrounding natural gas development," Whitten said.

API: USGS DATA SHOW EPA GOT PAVILLION WRONG: The American Petroleum Institute says EPA did a "sloppy" job in Pavillion, Wyo., and the group's analysis concludes that USGS data released in late September contradict the EPA's assertion that contaminants associated with gas drilling were found in wells in the community. The USGS data, said Erik Milito, API's upstream director, did not find the same contaminants that EPA said it found when it tested wells in the area, which suggests a problem with EPA's methodology — especially since the USGS opted against using in its analysis one of the monitoring wells that EPA drilled. "If EPA continues utilizing the same practices and sloppy work," Milito said, "they're going to continue to provide sloppy results." API is calling for EPA to work with USGS or an independent agency to ensure that testing methods follow the best-available science. API's analysis: <http://politico.pro/Tgb37a>

FERC SEEKS TO TRIM PIPELINE RED TAPE: FERC today proposed streamlining the filing process for intrastate pipelines, tossing “unnecessary filings” for oil pipelines and removing 145 annual filings made under the Natural Gas Act. The trimming of red tape comes in response to President Barack Obama’s July 2011 executive order requesting that independent agencies sniff out and dispose of excessive regulations. FERC also released a staff report with suggestions for revising the agency’s natural gas pipeline regulations. FERC’s summary: <http://1.usa.gov/WecSdi>. And the staff report: <http://1.usa.gov/RGXzMj>.

MORE FROM FERC: FERC posted its new rulemaking proposals after this morning’s meeting. Natural gas pipelines: <http://1.usa.gov/Twp7Ux>. Oil pipelines: <http://1.usa.gov/U9Cbom>. Intrastate pipelines: <http://1.usa.gov/QwQBsp>.

FERC TAPS BARDEE FOR RELIABILITY POST: FERC announced today that its general counsel, Michael Bardee, will become the director of the agency’s electric reliability office. Bardee is replacing Joe McClelland, who took over FERC’s new cybersecurity operation last month. David Morenoff, FERC’s current deputy general counsel, has become acting GC. Bardee has worked for FERC since 1990.

LCV, SIERRA CLUB BOOST ANGUS KING: Sierra Club Independent Action and the League of Conservation Voters launched a new television ad (<http://bit.ly/VeC788>) today in support of former Gov. Angus King’s independent bid for the Maine Senate race. Alexander Burns: <http://politi.co/Va733P>.

LCV RELEASES ROMNEY COMEDY VIDEO: The league also released a video (<http://bit.ly/RbpXaH>) stringing comments from Mitt Romney together in a Seinfeld-style standup act of sorts. The video is meant to show that Romney turns “some of the most serious issues our country faces into a punch line.”

EPA CLEAN AIR COMMITTEE TO MEET: The EPA Science Advisory Board will hold a meeting (<http://bit.ly/R6CkGz>) of its Clean Air Scientific Advisory Committee Ozone Review Panel on Nov. 5, via teleconference, to discuss draft (<http://1.usa.gov/Rbnqxl>) reviews of four documents regarding ozone pollution and the policy behind the national ambient air quality standards for ozone.

COAL, SMALL BUSINESS GROUPS HEAD TO OHIO: (via Politico Influence) — The American Coalition for Clean Coal Electricity and the National Federation of Independent Business/Ohio hosted a panel in Zanesville, Ohio, with Ohio Republican Reps. Bill Johnson and Pat Tiberi, American Electric Power’s Bruce Baine and Jeremiah Clegg of Casting Solutions to discuss the economic effects of EPA regulations in Ohio.

HOUSE E&C 3Q REPORT RELEASED: The committee’s report touts the 26 bills that were approved by the House, and the five bipartisan bills on pipeline safety, tax relief, surface transportation, FDA safety and hazardous waste records. “In the waning days of the 112th Congress, as we interact with our constituents and when the time comes for us to return to Washington, we can reflect on a record of promises made and promises kept,” the report says. <http://1.usa.gov/RJUvCy>.

PRO TRIVIA NIGHT RETURNS: POLITICO’s Patrick Gavin and Pro’s Tony Romm will be teeing up questions on all things policy, politics and D.C. on Tuesday night. Pros can RSVP with their teams of four to eholman@politico.com.

QUICK HITS

— Hearst bans “fracking” in newspaper comments. Romenesko: <http://bit.ly/PcCeic>

— Koch-linked groups are attacking President Barack Obama for what they call his “war on coal.” Center for Public Integrity: <http://bit.ly/PctI2M>

—The host committee for the Democratic National Convention owes nearly \$8 million after tapping a line of credit from Duke Energy, POLITICO’s Tarini Parti reports: <http://politi.co/RJr2sp>

— BP could get billions in tax credits from oil spill settlement. AL.com: <http://bit.ly/WF63Zh>

THE WIDE WORLD OF POLITICS

— Obama, Romney campaign for debate spin win: <http://politi.co/TxWiYa>

— GOP’s problems exposed in struggle for Senate: <http://politi.co/WEv0nB>

— Outside groups spent \$213M in October — enough to buy every resident in Flint, Mich., an LCD TV: <http://politi.co/OLiErX>

**** A message from America's Natural Gas Alliance: Need energy efficiency? Natural gas is powering a solution for you. General Electric's new FlexEfficiency 60 plant can generate power at 61% efficiency, and quickly ramp up and down to accommodate intermittent forms of energy like wind and solar. <http://bit.ly/P6DsLE> ****

Stories from POLITICO Pro

PTC building up to post-election battle

Study finds health problems near gas wells

PTC building up to post-election battle back

By Andrew Restuccia | 10/18/12 1:47 PM EDT

The energy world is bracing for a wind storm when Congress returns to Washington after the election.

Conservative groups, major energy companies and the renewables industry are preparing for a lame-duck battle over extending the wind production tax credit, one of a host of expired or expiring tax breaks that lawmakers aim to decide on by the end of the year.

Lobbyists on both sides say momentum appears to be building in favor of extending the wind credit for at least a year. But opponents are determined to kill the tax credit, casting it as an unacceptable example of federal meddling in the energy industry.

"Our goal is to make the PTC so toxic that it makes it impossible for John Boehner to sit at a table with Harry Reid and say, 'Yeah, I can bend on this one,'" said Benjamin Cole, spokesman for the American Energy Alliance.

Cole said anti-PTC groups are laser-focused on swaying the House, as approval of the tax credit appears to be a foregone conclusion in the Senate.

Meanwhile, the credit's supporters say they're optimistic about what will happen after the election.

"We think we've made the case," said Peter Kelley, vice president for public affairs at the American Wind Energy Association. "We have the bipartisan support, despite some critics."

The 2.2-cents-per-kilowatt-hour credit has become a potential swing state wedge issue for President Barack Obama, who reminded viewers during Tuesday night's debate that Mitt Romney has come out against the PTC. The credit is playing a similar role in down-ticket elections in states such as Kansas.

Big energy companies are divided on the tax credit, with Siemens and NextEra Energy Resources arguing for extending it and Exelon Corp. pushing for it to expire.

Both sides have held private Capitol Hill meetings in recent weeks and are ramping up their lobbying.

"Our mission is to put this on folks' radar," said David Brown, Exelon's senior vice president of federal government affairs and public policy. His company has emerged as one of the tax credit's most vocal opponents, arguing that tax breaks for wind "distort the market" and hurt the company's nuclear fleet.

Exelon, which owns more than three dozen wind projects, has made enemies in the wind industry over its opposition to extending the credit. AWEA kicked the company off its board of directors last month.

The wind industry says killing the tax credit would risk 37,000 jobs. But conservative groups say it's time the government gets out of the business of propping up the wind sector.

The PTC is part of a broader energy debate over what role the government should play in supporting the energy industry. Republicans constantly accuse the Obama administration of "picking winners and losers" while Democrats criticize the GOP for supporting tax breaks for the oil industry.

But the wind debate is unusual in that the battle lines don't break down neatly by party. Republicans from wind-rich states such as

Iowa — including card-carrying conservatives like Rep. Steve King — support extending the tax credit.

The Senate Finance Committee in early August approved a tax extenders package with bipartisan support that would extend the PTC by one year. Senate Majority Leader Harry Reid has said he hopes to vote on the bill by the end of the year.

That shifts attention to the House, where Speaker John Boehner is getting mixed messages from his caucus. Forty-seven House Republicans wrote to Boehner last month urging him to kill the tax credit while a bipartisan group of 50 House freshmen encouraged GOP leadership to extend expiring tax credits in a separate letter last month.

"I continue to hear that Boehner is not religious about this, that he is pragmatic," one Democratic lobbyist said. "It's not something that he is personally opposed to doing."

Amid signs that the production tax credit could be extended, the American Energy Alliance has been meeting in recent months with other conservative groups, including the Heritage Foundation, the Consumer Energy Alliance and Americans for Tax Reform, to plot a strategy for blocking it.

Cole, AEA's spokesman, acknowledged that some lawmakers are "feeling the heat for opposing the PTC."

"Every time that there's some announcement from a wind company of layoffs within 500 miles of their office, they hear about it," he said. "The wind lobby is doing a very good job."

Cole noted that Rep. Mike Pompeo (R-Kan.) has come under attack from editorial boards for his opposition to the credit. Cole said AEA and other conservative groups are "trying to provide a counter-offensive and some cover" for him and other lawmakers.

"We want to make sure that after the election we still have some strong allies on the Hill," he said. "If guys who are opposed to the PTC get routed in November, it becomes harder for Boehner to hold the line on this one."

Proponents of extending the production tax credit are organizing meetings and other events to ensure the issue doesn't get buried in the chaos of the lame-duck session.

The Truman National Security Project's Operation Free initiative sent 25 military veterans to Washington this week to meet with Capitol Hill staff about the PTC. Skills that veterans learned in the military can be applied to jobs in the wind industry, the group says.

Kelley said AWEA is working to aggressively counter anti-PTC groups.

"There's kind of a war of words going on that we're participating in," Kelley said, noting that AWEA is reaching out to newspapers to counter op-eds opposing an extension of the tax credit. "A lot of this is misinformation, and it's being circulated by people with an ideological ax to grind, and we label it as such."

PTC advocates are also watching the election closely, hoping that lawmakers might change their tune in the lame duck.

"If there's a sense that the obstruction and indifference to clean energy jobs hasn't worked so well for them, there might be more of a tone of, 'How do we get this done?'" said Dave Hamilton, a top Sierra Club official.

Study finds health problems near gas wells back

By Talia Buford | 10/18/12 11:26 AM EDT

Pennsylvania residents who live close to shale gas wells suffered more frequent headaches, dizzy spells and other health effects than people who live further from the wells, according to a new report released Thursday by environmental advocacy group Earthworks.

The report, the group says, is "incontrovertible evidence" that hydraulic fracturing of gas wells harms the health of those who live nearby and contrasts with energy industry claims that adverse health impacts are limited to personal anecdotes and isolated incidents.

"When many people in many places where gas development is occurring have similar health complaints, something is clearly wrong," the report said.

The American Petroleum Institute said it was reviewing the study and could not immediately comment on it. America's Natural Gas Alliance and the Interstate Natural Gas Association of America also were not immediately available to comment.

Seventy-four percent of residents who lived less than 500 feet from a gas facility reported throat irritation, according to the report conducted by Earthworks Oil and Gas Accountability Project. That figure decreased to 63 percent for residents who lived between 501 and 1,500 feet away. At a distance of 1,500 feet, only 27 percent of respondents reported throat irritation.

Earthworks called for Pennsylvania and other states to stop permitting new gas developments until the health risks had been determined, and it recommended involving the Department of Health in gas development decisions.

It also called for stricter testing requirements for air and water, greater oversight of the industry and the prohibition of nondisclosure agreements between companies and residents who have suffered damages or medical harm.

The group surveyed 108 residents living in 55 households in 14 counties throughout Pennsylvania, with the majority of respondents coming from Bedford, Bradford, Butler, Fayette and Washington counties. Residents self-reported their answers.

Earthworks also conducted tests on 35 households to check for volatile organic compounds and other substances. It found that more than half of water well samples showed elevated levels of methane and other contaminants.

The study didn't include a control group or take into account any other factors that could cause the symptoms reported or influence residents' health.

Sinus and respiratory symptoms were reported by 88 percent of individuals, while symptoms associated with behavior, mood or energy levels were reported by 80 percent of respondents. Among the most frequently reported symptoms were fatigue, nasal and throat irritation, sinus problems, burning eyes, shortness of breath, joint pain, severe headaches and sleep disturbance. Respondents also reported forgetfulness, muscle aches and pains, nausea and skin rashes, the study found.

Additionally, 81 percent of respondents reported smelling bad odors such as ammonia or chemical burning, and they also noted that the smells caused health effects such as nausea, nosebleeds or a metallic taste in their mouth.back

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